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FISCAL IMPACT STATEMENT

LS 6175

BILL NUMBER: HB 1002

NOTE PREPARED: Jan 11, 2010

BILL AMENDED: Jan 7, 2010

SUBJECT: Indiana Worker Preference on Public Works Projects.

FIRST AUTHOR: Rep. Kersey

FIRST SPONSOR: Sen. Waterman

BILL STATUS: As Passed House

FUNDS AFFECTED: X **GENERAL**
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) *Public Works Contracts:* The bill provides that certain contracts for public works projects may not be awarded to a contractor that does not: (1) employ residents of Indiana as at least 80% of the employees working on the contract; and (2) enter into subcontracts only with subcontractors that employ residents of Indiana as at least 80% of the employees working on the contract. The bill makes an exception for work done in response to an emergency and work done by artisans or in a speciality area with limited persons able to perform the work. It applies the preference to certain contracts entered into by the Public Works Division (PWD) of the Department of Administration (DOA), any state agency or commission entering into a public works contract, the Commission governing the Ports of Indiana, the Indiana Department of Transportation (INDOT), and units of local government.

Federally-Funded Contracts: It provides that if a contract is being paid for with federal funds and the requirement that 80% of the employees must be residents of Indiana causes the loss of the federal funds as determined by the federal agency providing the funds, the preference does not apply. It prohibits certain governmental actions when the preference does not apply.

Reporting Requirements: It requires any covered entity to prepare an annual report for the public and the Legislative Council stating, for the contractors awarded public works contracts by the state and the subcontractors with which these contractors entered into subcontracts, the percentage of the contractors' and subcontractors' employees working on the public works contracts who are residents of Indiana.

Hiring Preference for Laid Off Police and Firefighters: The bill allows the hiring authority of a city, county, or township to give a preference in hiring for police and fire department positions to: (1) a police officer or firefighter laid off by a city; (2) a county police officer laid off by a sheriff's department; or (3) a person who

was employed full-time or part-time by a township to provide fire protection and emergency services and has been laid off by the township. It provides that a laid-off police officer or firefighter may not receive the preference unless the person applies for employment and meets all of the employment requirements established by law and the hiring authority.

Effective Date: Upon passage.

Explanation of State Expenditures: *Public Works Contracts:* The bill would have indeterminate fiscal impact on public works projects. Costs for the DOA, a state agency or commissions contracting for public works, the Ports of Indiana, and the INDOT could increase to the extent that a low-cost bidder who does not employ the required proportion of Indiana residents or who subcontracts with a subcontractor who does not employ the required proportion of Indiana residents may not be granted a contract. Also, contracts awarded to contractors that fail to maintain or who's subcontractor fails to maintain the required proportions of Indiana residents are terminated, reinitiating the contracting process. However, some of these costs may be offset by the contractor or subcontractor being subject to a Class B infraction for failing to employ the required proportion of Indiana residents. A separate infraction applies for each nonresident employed in excess of the allowed number of nonresidents. Infraction penalties are deposited in the state General Fund.

(Revised) *Public Works Contracts-Reporting Requirements:* Before August 15 of each year, beginning in 2011, the PWD, state agencies or commissions entering into a public works contract, the Ports of the Indiana Commission, and the INDOT are to report to the public and the Legislative Council on the percentage of employees employed by contractors or subcontractors who work on each contract and who are residents of Indiana. The bill's requirements are within the agency's routine administrative functions and should be able to be implemented with no additional appropriations, assuming near customary agency staffing and resource levels.

Background and Additional Information -

Public Works Contracts- Resident of Indiana: A resident of Indiana is defined as a person at least 18 years old and who has a registered motor vehicle in Indiana, is registered to vote in Indiana, has a child enrolled in an elementary or secondary school in Indiana, or who derives more than one-half of the person's gross income from sources in Indiana. However, if a person only meets the income factor, the person may not be a resident of Indiana if the preponderance of the evidence of the first three factors is not met.

Contractor and Subcontractor Qualifications: Currently, the PWD requires contracts and subcontractors to be certified prior to bidding or performing work under contract for which the cost is estimated at more than \$150,000. INDOT requires a form outlining the contractor's experience and financial condition for prequalification before bidding on contracts for the maintenance or construction of highways, bridges, and appurtenances.

(Revised) *Application:* The bill exempts from its requirements a contract or subcontract that is funded with federal funds. Imposing the requirements would cause the state to lose the funds. The Indiana resident hiring requirements also would not apply to contracts for work resulting from an emergency or performed by an artisan or that is in a specialty area with limited persons able to perform the work.

Explanation of State Revenues: *Public Works Contracts:* The bill provides for a Class B infraction for the contractor who does not meet the required proportion of resident employees. There could be an infraction

charged for each nonresident employed in excess of the number of nonresident employees allowed. If additional court cases occur and infraction judgments and court fees are collected, revenue to the state General Fund may increase. The maximum judgment for a Class B infraction is \$1,000, which is deposited in the state General Fund.

If court actions are filed and a judgment is entered, a court fee of \$70 would be assessed, 70% of which would be deposited in the state General Fund if the case is filed in a court of record or 55% if the case is filed in a city or town court. In addition, some or all of the document storage fee (\$2), automated record keeping fee (\$7), judicial salaries fee (\$18), the public defense administration fee (\$3), the court administration fee (\$5), and the judicial insurance adjustment fee (\$1) are deposited into the state General Fund.

Explanation of Local Expenditures: *Hiring Preference for Laid-Off Police and Firefighters:* The bill would provide cost savings for training new police officers and firefighters. While the officer or fire personnel would have to apply for the position, rather than be transferred, salary expense for more experienced personnel may be at the upper boundary of the salary range. The cost savings or additional expenditures would depend on the decisions of the jurisdiction hiring the laid-off police officer or firefighter.

[If a police officer is not employed as a police officer for less than two years, the officer is not required to retake basic training. Local training requirements may apply, however. The Education Board of the Department of Homeland Security certifies fire personnel that have successfully completed the minimum basic training requirements.]

Public Works Contracts: The proportions of Indiana residents employed by contractors and subcontractors would apply to local unit public works contracts. This would have indeterminate fiscal impact on local public works projects.

Explanation of Local Revenues: *Public Works Contracts:* If additional court actions are filed and a judgment is entered, local governments would receive revenue from the following sources. The county general fund would receive 27% of the \$70 court fee that is assessed in a court of record. Cities and towns maintaining a law enforcement agency that prosecutes at least 50% of its ordinance violations in a court of record may receive 3% of court fees. If the case is filed in a city or town court, 20% of the court fee would be deposited in the county general fund and 25% would be deposited in the city or town general fund. Additional fees may be collected at the discretion of the judge and depending upon the particular type of case.

State Agencies Affected: DOA; Any state agency or commission entering into a public works contract; Ports of Indiana; INDOT.

Local Agencies Affected: Cities, towns, and counties; Local units entering into public works contracts; Trial courts, local law enforcement agencies.

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